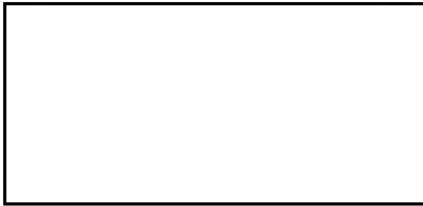


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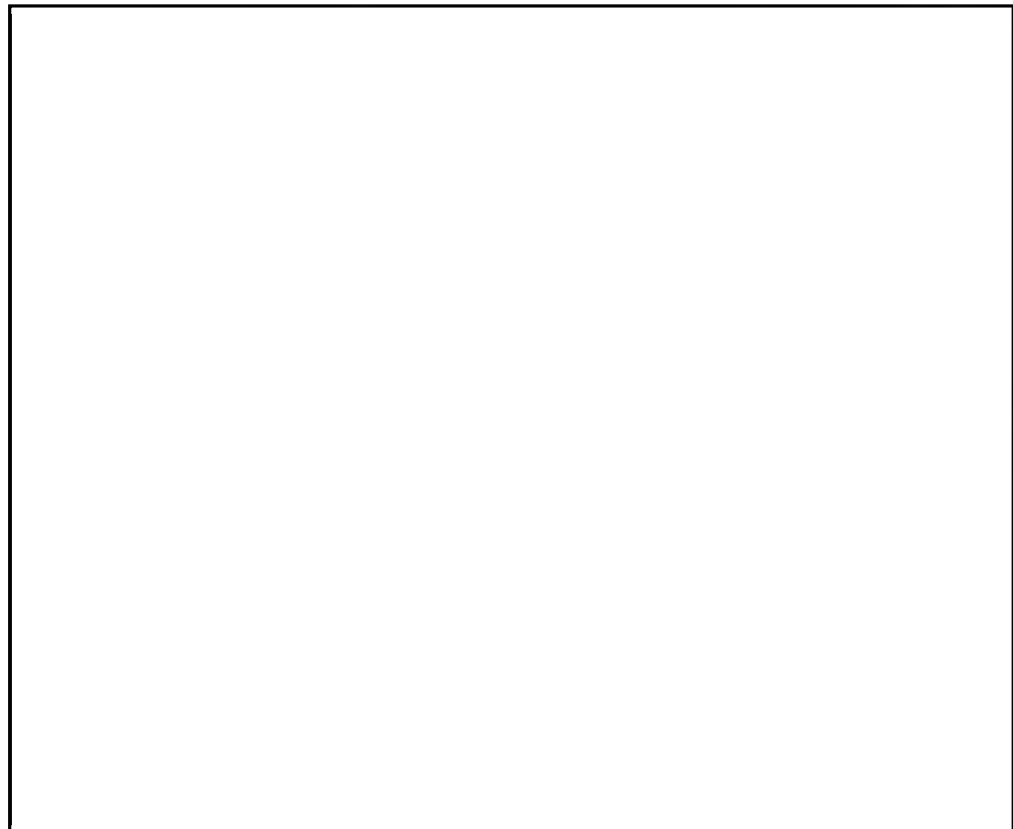
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1. GOMULKA REAFFIRMS INDEPENDENT POLISH ROAD
TO SOCIALISM

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In his key address to the ninth plenum of the Polish party, Gomulka on 15 May vigorously reaffirmed his "National Communist" policies, as approved by the eighth plenum in October. He defended

his agricultural policies, which since October have been criticized by the party as causing the large-scale dissolution of collectives. Although pitched in a conciliatory tone presumably intended to be palatable to the Kremlin, Gomulka made clear that he intends to go ahead with three major points in his program--development of workers' councils, greater powers for local governments and establishment of certain forms of peasant co-operatives termed "circles" or "teams."

Referring to the Soviet Union, Gomulka declared that even if it had avoided the "disease" of Stalinism, the Russian road to socialism would probably not have been acceptable to other countries and certainly would not have been necessary. He declared further that the victory of socialism in the Soviet Union and the progress toward socialism of other countries had created a "historically new situation" which permits the pursuit of different roads to socialism and enables Poland to adopt a slower speed in socialization, particularly in agriculture.

Gomulka's statements probably will give a measure of reassurance to most Poles, since it does not indicate any reversal of his middle-of-the-road program. At the same time, the speech has been carefully tailored to appeal to as many elements of the party as possible in an effort to restore party unity.



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2. MOLLET MANEUVERS ON CANAL ISSUE

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French premier Mollet's proffered resignation on 15 May was probably intended merely as a tactical move to improve his position on the Suez Canal issue. Britain's decision to use the canal on Nasr's terms faces France with the necessity of modifying its stand on use of the canal.

Mollet may have in mind an attempt to save face by having the decision seem to be forced on France. By referring the canal issue to the UN Security Council, Mollet may hope to accomplish this end.

To the French, Nasr's success has direct bearing on the outcome of the Algerian rebellion. The possibility of French-Israeli collusion in a move against Egypt cannot be ruled out in the event that Cairo acts to block transit by an Israeli ship of the Tiran Strait or the Suez Canal.

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3. AUSTRIA'S NEW PRESIDENT MAY STRESS ABOLITION OF NUCLEAR WEAPONS IN INAUGURAL ADDRESS

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American ambassador Thompson in Vienna reports that President-elect Schaerf intends to make a plea for the abolition of nuclear weapons a prominent feature of his inaugural address on 22 May. Thompson told Schaerf that such a course would play into the hands of the USSR, but doubts that Schaerf can be influenced in view of his recent successful use of the issue in the presidential campaign.

Thompson intends to carry his appeal to Bruno Pittermann, newly elected leader of the Socialist Party, in the hope that he will restrain the president-elect, but Pittermann favors a search for a common ground between NATO and Soviet bloc powers on which nuclear abolition can be based. Thompson thinks that this may be "even more dangerous" to Western unity than Schaerf's appeal because it could easily develop into a mass demand in Europe for the abolition of nuclear weapons.

Schaerf used the nuclear weapons issue effectively against his conservative opponent in the closing days of the presidential campaign by charging him with demanding such weapons for the Austrian army. This was an important factor in reversing the anti-Socialist trend in Austria and electing Schaerf. Western European Socialists, especially in West Germany and Austria, are eager to exploit the prevailing sentiment for a ban on nuclear weapons.

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4. FRENCH TREASURY SITUATION CRITICAL

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[REDACTED] Both the director of the French Treasury and the governor of the Bank of France informed the American embassy on 14 May that the French Treasury situation is precarious and direct advances from the Bank of France are now an urgent necessity.

They are discussing with Finance Minister Ramadier methods of obtaining National Assembly approval for such advances before President Coty leaves for the United States at the end of this month. The government's financial situation was aggravated when, in addition to the drain imposed by the military costs for Algeria and a fall in normal Treasury income, its recent bond issue produced less than 60 percent of the amount anticipated.

Comment

New taxes and budget economies are now being pushed by Mollet with an eye to getting his house in order before seeking external loans when France's credit with the International Monetary Fund is exhausted in mid-June. Requests for new taxes and for National Assembly authorization to use the gold and dollars held in the Bank of France will considerably increase right-center irritation over the government's financial policies.

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